

# A Compliance Checklist for Broker-Dealers

With guidelines changing on a regular basis, it can be challenging to keep track of which electronically stored information is subject to regulatory compliance. Broker-dealers, in particular, must abide by Financial Institution Regulatory Authority (FINRA) and SEC 17a-4 regulations, and are subject to serious penalties if they fail to comply. Use the following checklist as a guideline for your firm's FINRA and SEC 17a-4 regulatory compliance:

## MAINTAIN DETAILED RECORDS

All records, including records of transactions and general securities, should be indexed and maintained in such a way that they're easily accessible. The broker-dealer must also store a duplicate of each record separate from its original copy.

## IMPLEMENT AN AUDIT SYSTEM

The broker-dealer must have an audit system in place capable of identifying when original and duplicate records are archived and when any changes are made to existing records.

## SET RETENTION PERIODS

SEC Rules 17a-3 and 17a-4 stipulate that records must be stored for at least six years and must be easily accessible for the first two of those years. All duplicate records must be stored for the same amount of time as their original.

## MONITOR MOBILE DEVICES

If applicable, clearly outline approved communication channels and maintain detailed records of all mobile communications that pertain to your business. Create policies for mobile communication monitoring and retention.

## ESTABLISH SUPERVISORY CONTROLS

Prevent the misappropriation of funds or misrepresentation of numbers by supervising the types of businesses your firm engages with and regularly performing conduct reviews. These reviews assess whether internal or external communications adhere to FINRA requirements and should be carefully documented. Re-evaluate your supervisory controls on a semi-regular basis to ensure that they remain transparent and compliant.

## CREATE POLICIES & PROCEDURES

Create policies and procedures for record-keeping and retention that are appropriate relative to the size of your firm, as well as for how content is accessed, and which communication platforms employees are entitled to use. Regularly review these policies and procedures to ensure that they are up to date and compliant with FINRA and SEC 17a-3 and 17a-4 requirements.

## TRAIN YOUR TEAM

All registered representatives, supervisors and employees must undergo thorough training to ensure that they understand compliance expectations, policies and procedures. Remind employees that their electronic communications will be monitored and archived as needed.

## TEST YOUR ARCHIVING SYSTEM

Ensure that your archiving system is up to date and FINRA-compliant by performing regular quality assurance tests.

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